

Kentucky Agricultural Development Fund Update

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Meet the New CEO, Gene Royalty

On June 16 Gene C. Royalty assumed the position of Executive Director of the Governor's Office of Agricultural Policy (GOAP). At its June meeting, the Kentucky Agricultural Development Board elected Mr. Royalty Chief Executive Officer for the Agricultural Development Fund.

Mr. Royalty's ties to tobacco run deep. Mr. Royalty grew up on a farm in Mercer County where his family raised cattle and tobacco. He and his family also operated a tobacco warehouse and wholesale tobacco business in Mercer County. In fact, Mr. Royalty's first off-farm job was with the Edward J. O'Brien tobacco company in Louisville.

Though Mr. Royalty spent most of his early years in agriculture, much of his working career has been in the business of economic development. Before becoming the Secretary of Kentucky's Economic Development Cabinet in 1988, Mr. Royalty owned and operated a home furnishing store and was the Vice President of a local bank. In fact, Mr. Royalty was instrumental in attracting one of Kentucky's first Japanese owned corporation to Harrodsburg in 1984: Hitachi Motor Products.

In 1992, Mr. Royalty returned to the agriculture world as the Executive Director for Markets at the Kentucky Department of Agriculture. Then in September 2002 Mr. Royalty joined GOAP to assist with special projects and lend his economic development expertise to the diversification of Kentucky's agricultural economy.

As Executive Director, Mr. Royalty intends to continue the success of the programs administered by GOAP over the next six months. Additionally, he hopes the next administration will see fit to continue the work of this office and continue to support the use of Tobacco Settlement Funds for agricultural development.

Mr. Royalty recognizes that great strides have been made in diversifying Kentucky's farm families away from tobacco. "When one crop has been the basis of the economic foundation for many years," commented Royalty, "it is difficult to get people to change."

Mr. Royalty thinks the changes, which have occurred to improve Kentucky's beef herd, have made a significant difference to the agricultural economy in Kentucky. Also, other industries continue to grow to fill the gap reduced quotas have left.

Mr. Royalty notes that value-added processing is one of the areas, which the Board will be focusing its efforts. He also adds that there is tremendous focus by the Board and in the legislature to develop state projects in Kentucky's most tobacco dependent counties.

Mr. Royalty recognizes that the efforts required of our farmers to diversify into seemingly non-traditional enterprises has challenged Kentucky's Cooperative Extension Agents to learn new and different techniques for old and new enterprises. This growth is important to the success of this historic diversification effort in agriculture.

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Gene C. Royalty, CEO
Sandra P. Gardner, Editor

Cultivating rural prosperity

DATES TO REMEMBER:

July 11 —Board Project Review (Frankfort)

July 18—Board Meeting, 10:00 a.m. Capitol Room 110 (Frankfort)

ELECTRONIC MAILING LISTS

Would you like to receive notice of web site updates as they are posted? Or receive notices from the Grant Bulletin?

If you said yes to either question, then send an e-mail to govkyagpolicy@mail.state.ky.us and let us know which update you would like to receive.

ADF Board Meeting in Review

At its June 2003 meeting, the Kentucky Agricultural Development Board approved approximately \$2.9 million in diversification projects for Kentucky agriculture.

Six non-model projects were approved for \$151,167 in state, \$250,000 in KCADE and \$35,627 in county funds. These projects ranged in scope from farmers' markets to agricultural education programs.

The balance of funds approved were for seven of the eight model programs. County model programs are designed to provide farmers with cost-share funding to allow them to improve and diversify their current production practices.

Calloway, Casey, Hardin, Metcalfe, Nicholas, Pendleton, Shelby and Trimble Counties committed a

total of \$429,131 to the **Agricultural Diversification** Program. An additional \$150,000 was committed to **Fencing Improvement** in Nicholas County. An additional \$268,526 was committed to **Forage Improvement** Programs in Garrard, Greenup, Hardin, Montgomery and Nicholas Counties. **Cattle Genetics Improvement** Programs were increased by a total of \$199,048 in Casey, Garrard, Montgomery, Nicholas, Ohio, Warren and Webster Counties. Metcalfe and Nicholas Counties contributed a total of \$24,094 to **Goat Diversification**. Casey, Garrard, Hardin, Larue, Montgomery, and Nicholas Counties committed a total of \$271,685 to the **Cattle Handling** Program. Nine new **Hay, Straw & Commodity Storage** Programs for a total of \$1,118,500 were implemented in Anderson,

Coming Soon: Fiscal Year 2003 Annual Report

Boyle, Daviess, Fayette, Menifee, Nicholas, Owen, and Rockcastle Counties with Wayne County adding additional funds to their current program.

Also at this meeting, over 120 applications were referred to the Board's Project Review Committees for evaluation.

For a complete listing of projects funded view the latest ADF release at <http://www.kyagpolicy.com/news/>.

Tobacco Settlement Oversight Committee Update

When the Kentucky Agricultural Development Fund (KADF) was established in 2000, an oversight committee was established to oversee expenditures from Kentucky's share of the national tobacco settlement.

This twelve member committee held its first official meeting on May 13, 2003. The committee's inaugural meeting focused on Kentucky's long-term plan for revitalizing agriculture, as well as the criteria used by the KADF Board when making funding decisions. Co-chairs for the committee were also elected at this meeting.

At subsequent meetings, members reviewed data requested by the members (e.g. state fund expenditures by county) and examined project specific funding decisions. The committee also heard reports from other agencies that have received tobacco settlement funds, such as the

Kentucky Infrastructure Authority (waterline extensions).

At its most recent meeting, the committee discussed ways to get more state agriculture projects into the most tobacco dependent counties. KADF leaders pointed out that many projects located in counties with moderate to little tobacco dependency do affect farmers' income in heavily tobacco dependent counties.

The Tobacco Settlement Agreement Fund Oversight Committee normally meets on the second Tuesday of each month at 1:30 p.m. in the Capitol Annex. However, the next meeting of the committee is scheduled for Thursday, August 14. Meetings are open to the public.

Additional information and meeting minutes can be obtained from the committees' web page at <http://www.lrc.state.ky.us/statcomm/Settleme/homepage.htm>.

Tobacco Settlement Committee Members

House:

Roger Thomas, D-21*

Adrian Arnold, D-74

Carolyn Belcher, D-72

James Comer, R-53

Tom McKee, D-78

Tommy Turner, R-85

Senate:

Vernie McGaha, R-15*

Charlie Borders, R-18

David Boswell, D-8

Majority Leader, Dan Kelly, R-14

Joey Pendleton, D-3

Richie Sanders, R-9

**Committee Co-chair*

Value-added Processing Makes Its Way Home

On March 12, 2003 the Governor signed House Bill 391 (HB 391), creating new opportunities for Kentucky farmers to add value to their produce in their own home. No longer are producers bound to only sell fresh produce as a commodity at the farmers' market; they now have the opportunity to sell certified home-processed foods, such as breads, jams, salsa, canned tomatoes and pies, direct to consumers.

HB 391 amends the Kentucky Revised Statutes (KRS) 217.015 to include the home-based processor and the home-based microprocessor. A *home-based processor* is a farmer who does in-home processing and production of whole fruits and vegetables, mixed greens, jams, jellies, sweet sorghum syrup, preserves, fruit butter, bread, fruit pies, cakes or cookies. A *home-based microprocessor* is a farmer who either in the farmer's home, certified or permitted kitchen, produces or processes acid foods, formulated acid food products, acidified food products or low-acid canned foods, while receiving a net income of less than \$35,000 annually from the sale of the product.

For clarification, low acid and acid-modified foods includes all tomato products, such as canned tomatoes, salsa and BBQ sauce, and pickled foods. There are no provisions for meat, eggs or dairy products in this legislation.

KRS 217.136 exempts *home-based processors* from needing a permit to operate, like a commercial value-added processor, as long as product containers are sanitary, properly labeled, and unadulterated. However, the facilities of the *home-based processor* may be inspected annually by the Cabinet for Health Services. Through this legislation, the Kentucky Cooperative Extension Service (CES) has been charged with the development, implementation and administration of a program to train the *home-based processors*.

Those intending to process low acid or acid-modified foods, *home-based microprocessors*, will be required to undergo special certification. The Cabinet for Health Services will develop administrative regulations for *home-based microprocessors* in order to protect public health while encouraging the marketing of home-processed foods. These regulations will include, at a minimum, standards for hand-washing facilities, restrooms, cleaning & sanitizing processes, equipment, flooring, and walls & ceilings. (KRS 217.137)



Farmers could now sell their strawberries as jams or fruit pies.

In addition, CES has been charged with establishing and administering a pilot micro-processing program to train *home-based microprocessors*.

This program would cover food-handling techniques, food-protection principles, personal hygiene and plant sanitation prac-

Producers...now have the opportunity to sell certified home-processed foods direct to consumers.

tices, pH control, and critical factors in acidification. The legislation requires a these program workshops to be offered to *home-*

based microprocessors at minimum of four locations across the Commonwealth. (KRS 217.138)

For both types of processors, food products produced, processed and labeled in accordance with the legislation may only be offered for sale by farmers markets, certified roadside stands or on the processor's farm.

These new changes allow for direct marketing of homemade goods, while increasing the ability to certify a home kitchen for acid food production. As Kentucky continues to work towards reducing its dependency on tobacco, it is important that new areas be opened to allow producers the opportunity to add value to their current products and capture more of the consumer dollar, as a result.

KRS 217 is available on-line at
<http://www.lrc.state.ky.us/KRS/217-00/CHAPTER.HTM>

2nd Quarter Reports Due

July 15 is the deadline for activity/fiscal 2nd quarter reports. All model and non-model projects have quarterly reports to complete as part of their legal agreement with the state Agricultural Development Board.

Model Program reporting forms are available on-line at http://www.kyagpolicy.com/funds/program_reporting.shtml or by contacting our office. These standard reporting forms must be used by the program administrators to be considered in compliance with the terms of their agreement.

Award recipients for all other projects should consult their legal agreements for any reporting requirements beyond general fiscal reporting. There is not a standard form, yet, but the quarterly report should include the following: project name, tracking number, contact information, detail of money spent for that quarter, and a summary of project activity for the quarter, including an explanation for any delays in the project and the percent completion.

These quarterly reports must be submitted even if there was no activity for the quarter. A letter simply stating that no activity occurred for the specified time period will suffice.

Please contact your area Project Analyst if you have further questions.

Model Program Total Commitments

(As of 6/20/2003)

<i>Program</i>	<i>Amt. Committed</i>	<i># Counties</i>
Ag. Diversification	\$6,332,283	69
Cattle Genetics	\$8,008,741	102
Cattle Handling	\$11,779,538	93
Fencing Improvement	\$566,000	3
Forage Improvement	\$15,087,380	96
Goat Diversification	\$2,063,760	70
Hay, Straw & Cmdty	\$4,444,355	39
On-Farm Water	\$ 53,550	1
Total Commitment:	\$47,769,607	

MODEL PROGRAM MANAGERS:

Agricultural Diversification	Joel Neaveill Joel.Neaveill@mail.state.ky.us
Cattle Genetics Improvement	David Bratcher DavidW.Bratcher@mail.state.ky.us
Cattle Handling Facilities	Stephen Yates StephenP.Yates@mail.state.ky.us
Fencing Improvement	Brad Wellons BradleyD.Wellons@mail.state.ky.us
Forage Improvement	Maggie May MarjorieR.May@mail.state.ky.us
Goat Diversification	Penny Durham PennyR.Durham@mail.state.ky.us
Hay, Straw & Commodity Storage	Maggie May MarjorieR.May@mail.state.ky.us
On-farm Water Enhancement	Bill McCloskey BillB.McCloskey@mail.state.ky.us

Frequently Asked Question

Q: I keep hearing about the B&B Worm Company. Is this something that has been funded with Agricultural Development Funds?

A: No. Two applications were submitted for Agricultural Development Funds for projects with direct connections to this company. However, the Board denied funding for those projects due to the high risk nature of the projects.

To date the Agricultural Development Board has cost-shared on a marketing study with the Southeast Kentucky Worm Growers Association. This study focused on vermicomposts (castings and compost) from worms, as well as alternative markets for live worm sales.

A copy of the study is available

by writing, faxing or e-mailing your request to:

KCADE Market Studies
404 Ann Street
Frankfort, Kentucky 40601

According to a release from the Kentucky Department of Agriculture, Kentucky Attorney General Ben Chandler has sued B&B Worm Farms, claiming the defendants had made false claims about the earnings potential of the worm business.

The release also notes that the Attorney General's Office can help producers file complaints against B&B. For more information, contact the Consumer Protection Division at (502) 696-5389 or go on-line at <http://kyattorneygeneral.com/cp/farmers.htm>.

New Web Address

The Governor's Office of Agricultural Policy's web address has changed to <http://agpolicy.ky.gov/>.

To ease transition to the new address, the old web address will continue to work. After several months though, a redirect page will be added to show the new address and automatically redirect users to the homepage with the correct address.

Please update any publications that reference our web address to reflect this change.

agpolicy.ky.gov

Upcoming Meetings

Gov. Commission on Family Farms

Wednesday, Aug. 6, 10:00 a.m.

Berry Hill Mansion

ADB Project Review

Friday, Aug. 8, 9:00 a.m. & 1:00 p.m.

GOAP Board Room

KY Agricultural Finance Corp.

Friday, Aug. 8, 9:30 a.m.

Old Capitol Annex

Tobacco Settlement Oversight Committee

Thursday, Aug. 14, 1:30 p.m.

Capitol Annex Room 131

ADF Board Meeting

Friday, August 15, 10:30 a.m.

KFEC South Wing Board Room

GOAP Website Updates

County Account Availability as of 6/20/03 posted:

<http://agpolicy.ky.gov/funds/availability.shtml>

ADF Board Meeting Details updated:

<http://agpolicy.ky.gov/board/meetings.shtml>

Model Program Reporting Forms:

<http://agpolicy.ky.gov/funds/reporting.shtml>

KCADE Resource Links page updated:

http://agpolicy.ky.gov/kcade/resource_links.shtml

GOAP Calendar updated:

<http://agpolicy.ky.gov/calendar.shtml>

KCADE Grant Bulletin updated:

<http://agpolicy.ky.gov/kcade/grant.shtml>

If you wish to receive any of the documents mentioned in this newsletter either via fax or regular mail, please contact our office by e-mail, govkyagpolicy@mail.state.ky.us, or by phone, (502) 564-4627.

